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To: County Council – 18 July 2013

Subject: Facing the Challenge: Whole-Council Transformation

Summary: This paper sets out how the organisation will position itself to meet the anticipated financial challenges over the medium-long term. It outlines a future vision for the council, an outline service delivery model to support that vision, and a whole-council transformation approach that will begin the journey to transition the authority towards a new operating model. This will ensure that KCC can continue to deliver against its strategic priorities within a sustainable budget.

### **RECOMMENDATIONS:**

County Council is asked to:

- (1) Note the progress that has been made since 2010 in delivering the aims and objectives set out in Bold Steps for Kent.
- (2) Note that £269m of savings have been identified and delivered up to 2013/14.
- (3) Note the approach taken to delivering options to balance the budget for 2014/15.
- (4) Note the additional estimated savings of £239m required between 2015/16 and 2017/18
- (5) Agree the vision for the Council in 2020 set out in section 4.
- (6) Agree the outline future service delivery model for the council set out in section 5.
- (7) Agree the five priorities of whole-council transformation identified in paragraph 6.1.
- (8) Agree to first phase of service integration as:
  - a. 0-11 children and family support services
  - b. 11-24 support services
  - c. Commissioning functions
  - d. Skills & employability services
- (9) Note the requirement on Corporate Management Team (CMT) by Cabinet to identify further opportunities for service integration.
- (10) Note the creation of a Whole-Council Transformation Board.
- (11) Note the commissioning of a Whole-Council Transformation Plan for KCC to be

considered by County Council at its next meeting (September 2013).

## **1. THE CURRENT OPERATING FRAMEWORK:**

1.1 There are two strategic drivers that set the operating framework for the council. *Bold Steps for Kent: The medium term plan until 2014/15* and *Change to Keep Succeeding*, which sets out the organisational structure and operating framework for the authority.

1.2 County Council approved Bold Steps for Kent in December 2010 as the Coalition Government established itself with the main priority to eliminate the structural budget deficit within a single parliament. The three ambitions set out in Bold Steps – helping the Kent economy to grow, putting the citizen in control and tackling disadvantage drive what we do as a council. How we tackle the budget challenge, while focussing on delivering positive outcomes for the people of Kent, are shaped by the five 'P's' of prevention, partnership, productivity, procurement and people (personalisation). The County Council considered and approved Bold Steps: Progress to Date and Next Steps at its meeting in December 2012.

1.3 Bold Steps for Kent has delivered a range of benefits, including:

- A new approach to procurement through the development of a category management approach, saving nearly £12.3m through more efficient procurement processes, with more KCC goods and services now being provided by Kent businesses.
- A new relationship with schools, with devolution of funding and responsibilities, increased collaboration driving improvements in school performance and pupil attainment across the county, and EduKent emerging as a strong and viable trading vehicle for school support services.
- Positioned KCC at the forefront of thinking across local government as to how we can use the opportunity of the Health and Social Care Act 2012 to reshape community health provision and integrate health and social care commissioning, and developed strong and effective relationships with Clinical Commissioning Groups through our Health and Wellbeing Board.
- Delivered a new vision for transport in Kent through the £87m East Kent Access Road to support growth at the Discovery Park Enterprise Zone, Kent International Airport and on the Isle of Thanet, working with Government on options for a new Third Thames Crossing and opposing proposals for a new hub airport in the Thames Estuary.
- Delivered huge regeneration opportunities, £55m direct financial assistance through Expansion East Kent and TIGER (Thames Gateway, Innovation, Growth & Enterprise) loans schemes, investing in businesses with the appetite to grow, and unlocking development in the Thames Gateway by agreeing to manage £110m Homes and Roads Programme.
- Improved the life chances of young people through the promotion of apprenticeships so that Kent is now outperforming all other local authorities in

the South East in the number of apprenticeship starts, with £2m investment in the Kent Jobs for Kent Young programme and 500 apprentices employed within KCC through the Kent Success Apprenticeship scheme.

1.4 Change to Keep Succeeding, approved at the same time as Bold Steps for Kent in December 2010, provides the current rationale for the existing structure of the organisation. It promoted a more joined-up approach, through better alignment of services, particularly in the development of organisational strategy, provision of business support arrangements and the creation of a more cohesive senior officer leadership. Change to Keep Succeeding: The Next Steps, approved by County Council in December 2011, promoted closer and more cohesive working between Corporate Directors and Cabinet through the creation of Corporate Board, providing a single point of leadership and direction for the organisation.

1.5 In light of the scale of the financial and demographic pressures that the authority is likely to face over the next four years and beyond, further changes to the operating framework will be required.

## **2. THE SCALE OF THE FINANCIAL CHALLENGE:**

2.1 Bold Steps for Kent anticipated the need to deliver £340 million of savings in costs and pressures over the four-year period between 2011/12 and 2014/15. This forecast (produced before we had had the outcome of Spending Review in 2010) has proved remarkably robust, but the wider national and economic context in which this estimate was made has changed significantly. The Coalition Government had originally planned to eliminate the structural deficit within the current Parliament. However, sluggish economic growth has meant that tax receipts have not recovered as quickly as anticipated and, as a consequence, public sector spending austerity is planned to last well into the next Parliament and, on current plans, until at least 2017/18.

2.2 It is important to recognise that KCC has performed exceptionally well in planning and delivering £269m in savings over the three financial years to 2013/14. The majority of these savings have been delivered through a sustained focus on efficiency as well as one-off measures using reserves and under-spends. Significant savings have been delivered through the centralisation of support services, the removal of unnecessary layers of management and removing over 1,500 posts across all service areas and directorates. The success in the delivery of these savings is due to the effort, enthusiasm and commitment of all KCC staff over the last three years.

2.3 The Spending Review (SR) announced on 26 June 2013 has further clarified details of the savings requirement with an additional 10% reduction across local government budgets as a whole in 2015/16. Although there have been no formal announcements beyond 2015/16 we have used all the intelligence available to us and estimate that savings required between 2015/16 and 2017/18 will be approximately £239m as a result of continuing additional spending demands (inflation, demography, etc) and funding reductions from central government. It is important to note that there will be a Comprehensive Spending Review in 2015 (after the general election) and therefore additional and unforeseen savings requirements, above those outlined, may be required.

2.4 As a sector, local government is facing the most sustained period of financial contraction in its history, whilst the policy choices made by national government to protect health, schools, international development and pensions from reductions in grant funding disproportionately gear savings towards non-protected services and, in particular, services provided by local government. These national policy choices are driving structural change in national spending towards welfare support in its broadest sense, with pensions and healthcare increasingly expected to take up an ever growing proportion of national spending, a trend which is unlikely to be reversed by any change in government. The reduction in resources available that has occurred over the last four years, and which will continue to occur over the next four/five years, is permanent.

2.5 However, the major challenges that KCC faces are not simply reductions in funding levels, but also unfunded growth pressures. The Council faces demographic pressures and increased demand for services, particularly in adult and children's social care, which represents close to half of the authority's controllable budget, as well as continued demand on prices and pay. The risk is further exacerbated by the funding reductions faced by other public services, but notably the significant efficiency savings and demand pressures within the health service. It is imperative that continued work with health colleagues across primary, community and acute sectors, to reform how health services are provided to reduce acute intervention and long-term dependency on social care, continues apace.

2.6 The extension of public sector austerity beyond the current Parliament, the continuing growth in pressures and a radical public service reform agenda being pursued by the Coalition Government, means that KCC, like many local authorities, is faced with significant uncertainty and enormous challenges. As with any market contraction and consolidation, the shape of local government at the end of this period will look and feel very different to what has gone before. As has been noted by the Local Government Association (LGA), the National Audit Office (NAO) and the House of Commons Public Accounts Committee (PAC), not all councils can remain financially viable in light of these current and future pressures.

### **3. MEETING THE CHALLENGE:**

3.1 KCC has a strong track record in delivering significant change. Whilst the current financial projections will represent the most sustained pressure on local government finances over any period in its history, KCC has faced tough financial pressures before and has successfully overcome them. It can do so again. Through strong political leadership and effective management, we have successfully responded to the pressures placed upon the authority over the last three years whilst continuing to provide a strong service offer for Kent residents. By harnessing the innovation of our staff, engaging with our partners and using our size and scale as the largest county authority in England to our advantage, KCC can shape a new, financially sustainable service offer for the residents of Kent, whilst maintaining our position as a strategic countywide authority.

3.2 Through the on-going development of budget options and through the Medium Term Financial Plan agreed by County Council in February 2013, we already have significant savings identified and agreed for 2014/15 and are currently working to identify further options to close the remaining 2014/15 budget gap, which we will put out to consultation in the usual way this autumn.

3.3 The scale of the savings required for 2015/16 and beyond will require more fundamental options to be considered by County Council. Local authorities have four mechanisms to deal with these financial and demographic challenges:

- a) **Council tax:** This remains an important budgeting mechanism for local authorities to meet future demand for services. Over the last three years, as the financial pressure on Kent households has increased, we have worked hard to keep our component of council tax bills frozen.
- b) **Service reductions:** KCC has worked hard to ensure that critical frontline services have been protected as far as possible whilst also finding additional monies to invest in services that required improvement, such as children's social services. The protection of valued frontline services remains a priority for the council, as blanket reductions to balance the budget would diminish the quality of all services below acceptable standards.
- c) **Service efficiencies:** The focus on the identification and delivery of efficiency savings (through focus on the 5Ps) has proved a highly effective strategy to balancing the budget over the last three years. Whilst a continued and persistent focus on efficiency is required and expected on all public authorities by taxpayers, beyond 2014/15 efficiencies alone will be insufficient to meet the scale of the financial and demographic pressure faced.
- d) **Service Transformation:** Transformation requires a radical rethinking of traditional service delivery models, placing the customer at the heart of the service, providing what they want and need, rather than the perceived needs as decided by providers or professionals. This can significantly improve customer experience and outcomes at reduced cost through the removal of duplication and waste, and focusing on prevention to reduce demand for services. It is differentiated from efficiency, as transformation requires a wholesale transition from the existing service model to a new service model.

3.4 No one individual option will be sufficient going forward, and a combination of all four mechanisms will, to some extent, be required in order to deliver the scale of the savings required of the authority. However, the most significant driver of change will be adopting a whole-council approach to transformation that not only changes what and how we deliver to be focussed on the customer, but fundamentally seeks to reshape KCC services to operate effectively within the reduced resources available.

3.6 The core elements to transformation have already been introduced through Bold Steps for Kent, and therefore moving to a whole-council approach is not introducing new principles but seeking to accelerate the pace and scale of transformational change to provide a future service offer to Kent residents that is financially sustainable. The lead in time for delivering transformational change is such that in order to deliver savings of the scale required from 2015/16 we must begin to deliver the necessary change at pace and scale now.

#### **4. KCC IN 2020**

4.1 Based on current Treasury plans we know public sector austerity will last until 2017/18, however both the Institute for Fiscal Studies (IFS) and the Institute for

Government (IfG) have suggested that austerity may last until 2020. By setting a vision for what we want KCC to be like in 2020, we can begin to identify and shape the changes necessary to KCC's service delivery model to deliver that post austerity vision.

4.2 The fundamental role and purpose of KCC will not have changed by 2020. KCC will still be the strategic public sector authority setting a vision for the local community, and working with partners across the public, private and voluntary sector to improve the economic, social, health and environmental quality of life of Kent residents, whilst protecting and supporting the most vulnerable in our society. However, how KCC undertakes this role will have changed significantly.

4.3 KCC will still be a politically led authority, as only democratically elected Members, answerable to the residents of Kent through the ballot box, have the legitimacy to make decisions about allocating resources across competing demands and taking strategic decisions about investment and disinvestment in services.

4.4 By 2020, all KCC services will have a greater customer focus with services organised around the needs of service users and residents, not the priorities of the service provider or service professionals. This focus on the customer and client will drive our approach to public service delivery. The service offer should not be shaped solely by a demarcation of what is statutory and discretionary activity, which can be artificial and arbitrary, but instead shaped by the value that Kent residents and businesses attribute to services according to their needs.

4.5 Wherever possible, we will seek to redefine and benchmark our baseline definition of statutory provision, in order to create a proportionate interpretation of what statutory services mean in terms of cost, quality and scale for the people of Kent. Where such services are not considered to be a high priority for residents, KCC will provide appropriate de-minimis funding to meet its legal obligations and may even seek to have those legislative requirements removed, but it will not prioritise spending decisions purely on the basis that services are statutory.

4.6 The core components of KCC's customer focused service offer in 2020 will be:

- Greater engagement with service users in the design and delivery of services to meet their actual rather than perceived need, thus helping to manage demand by reducing over-specification of services.
- Personalisation of services, with users being responsible for choosing their service provider as a default position, where they are in a position to do so.
- Better management of demand for services through understanding and addressing the drivers of demand.
- Improved speed of service, with issues resolved as early as possible to prevent escalation of need.
- 'Once and done' approach to providing user details – with the organisation able to use and re-use information already supplied.
- More convenient access to services, with all services primarily accessed

through online provision.

- More consistent quality of services as a result of joined-up working across services, partners and providers.
- A greater focus on outcomes and less focus on the process or vehicle used to deliver services, with both commissioners and providers held to account by Members for the delivery of outcomes.

4.7 Like the rest of the public sector KCC will be a smaller organisation having successfully transformed its service offer to better manage demand for its services, through promoting independence from long-term dependency on the state, with individuals, families and communities taking more responsibility for meeting their own needs.

4.8 Services will be integrated around the life cycle of residents (for example, 0-11 Support, 11-24 Support, Working age, Older People) or around specialised services for those with greater needs (e.g. SEN provision, Disabled Children, etc) with a strong emphasis on ensuring that transition across services/stages is supported so users can adapt and respond to changing entitlements and responsibilities. Community based universal services (e.g. Libraries, Children's Centres) will be central to integrated locality focus, promoting the integration of services across providers with users able to access support and advice on a range of issues with more targeted outreach to support vulnerable clients at risk of requiring higher need provision. Countywide infrastructure services (e.g. highways, waste) will be managed strategically across the authority area and commissioned at scale to provide value for money. A distinction between people and place based commissioning and provision will inform the structure of the authority as a whole.

4.9 KCC will use an intelligent step-up and step-down model of care (with health partners where appropriate) able to escalate provision to provide short periods of high intensity support when clients tip into crisis, with the focus on supporting clients to re-establish independent support for themselves as quickly as possible, with KCC stepping down provision rather than entering into long-term support arrangements which promote dependency. Our providers will be incentivised through a variety of financial mechanisms (such as tiered tariffs) to support the step-down of care from intensive support rather than unnecessarily maintaining intensive, and financially unsustainable, high-cost support packages which do not support independence and do not deliver the best outcomes for service users.

4.10 KCC will be a commissioning authority. This does not mean that it will have divested itself entirely of any role in providing services and have adopted a purely enabling approach. Instead, KCC will have a strong understanding of community and user needs, the outcomes it wants to achieve within the resources available, and the range of providers, either in-house or external, across the public, private and voluntary sector that have the capability to deliver these outcomes. There will be no ideological or professional bias in regards to whom may provide services, with any appropriate provider able to deliver KCC services. In-house providers will have to compete to deliver contract specifications with external suppliers, with no differentiation in the way contracts are managed between internal and external providers.

4.11 However, being a commissioning authority will require KCC to actively engage in the market rather than be a passive purchaser of goods and services. As public service delivery becomes increasingly fragmented, KCC's role as a commissioning authority to create, shape and develop markets will become essential to ensuring sustainable service provision. KCC will play an important role in setting high standards of service quality, and holding to account all providers for meeting user expectations, acting as a guarantor of standards for service users and acting on their behalf when standards are not met. Ultimately, KCC will be expected, and will be, the provider of last resort when providers fail, securing alternative provision where necessary, and providing it directly if it is not available, to ensure vulnerable service users are not placed at risk.

4.12 KCC will have a mature approach to the management of risk, one that has moved beyond the traditional local government approach centered on a risk-averse culture that seeks to mitigate risk beyond all reasonable doubt, to managing risk based on an appropriate balance of probabilities in regards to the likelihood of risk occurring and the impact a risk issue might have. To increase our appetite for risk, front line professionals will be empowered to take timely decisions necessary to support services and customers in achieving desired outcomes, with less bureaucracy governing their operational freedom, but they will be strongly held to account for the delivery of outcomes. KCC will seek to learn from both successes and failures and spread best practice to support continuous improvement and service development.

4.13 Instead of using our own financial resources to deliver services (which are likely to be insufficient to meet demand projections), KCC will be focussed on using its financial resources to leverage additional resources, both financial and non-financial, from across the public, private and voluntary sectors, to deliver better outcomes for the people and businesses in Kent. A critical part of this will be KCC's role in supporting civic society across Kent to remain resilient, with a strong voluntary, community and social enterprise sector that supports and adds to the social capital and social resilience of individuals, families and communities.

4.14 KCC will better understand the value of the community and voluntary sector across Kent, not just those who support the provision of KCC services, but those organisations that provide local infrastructure and resilience to families and communities to support independence and act as a break on demand for public services. Where civic society organisations are better placed, and more capable, of meeting the outcomes of individuals and local communities, KCC will look to support, and even expand, their role.

4.15 To achieve this, KCC will be adept at using different behaviours and techniques that will be less directly visible and subtler in their approach, more focussed on collaboration, facilitation and engagement. In an increasingly fragmented public service landscape, KCC will be only one of many public bodies commissioning and procuring services in local communities and the strength of partnerships with these other bodies will be a critical asset.

## **5. OUTLINE SERVICE DELIVERY MODEL TO SUPPORT THE VISION**

5.1 We can either begin to shape the KCC of the future now, and build a resilient fit-for-purpose authority that continues to support the needs of the people of Kent, or we



can allow the council to be shaped for us, buffeted by change and decisions made elsewhere, forced by necessity to offer fewer and more restricted services which increase the risk of the authority failing, and letting down the very people it is here to support. The risk that some authorities may find this challenge too difficult and fail financially must not be underrated, however, we are determined KCC will not be one such authority.

5.2 However, to support the delivery of transformational change from 2015/16 onwards, a future service delivery model for the council must begin to take shape as soon as possible.

5.3 The future service delivery model will be shaped by five fundamentals:

- That there will be increased pressure on services that cannot be fully met to the same extent as today.
- This will require more intelligent targeting of resources to identified priorities/need.
- Resources will be more tightly focussed on those interventions which deliver value for money for the council taxpayer.
- This will drive significant changes in both what and how the council provides on a consistent basis.
- There must be a relentless focus on core business.

5.4 The only effective way to internally manage KCC in light of these five fundamentals is to increasingly shape the council as a business, and develop a future operating model capable of delivering radical, innovative lower cost solutions to meeting core demand in the same way private sector business would constantly reshape to meet market demand.

5.5 To achieve such business discipline, the future service delivery model must deliver:

- **Stronger financial control:** An iron-like grip over the finances of the council, through effective cost control by all managers, and an understanding of the unit cost and overheads of all council activity, will be essential to support investment and disinvestment decisions, across both revenue and capital funding, and holding service providers to account for delivering value-for-money.
- **Effective political decision making:** As public services increasingly fragment, the need for leadership from a democratically elected strategic local authority will become more, not less, important. The political leadership will be more focussed on making the prioritisation and investment decisions, rather than decisions on day-to-day service activity, with the organisation having the responsibility to provide political leaders with full financial and non-financial data necessary to make strategic investment and disinvestment decisions.
- **Understand the drivers of demand, in order to better manage it:** We must challenge ourselves to ensure that demand pressures are genuine new

demands from service users or whether through over specifying need and service delivery requirements, services and professionals are helping to create demand rather than reduce it. Better understanding of how our services impact on demand will be a pre-requisite to managing it more effectively.

- **A strong client model:** Through developing a best in sector commissioning and procurement function that has the capacity to effectively de-commission and re-provision services as the need arises, adopts a commercial approach to contract management across all service provision, whether internal or external, and has the ability to shape markets and undertake market development to encourage new providers to create new markets.
- **Development and utilisation of commercial skills:** The need to run the council increasingly as a business, with investment and disinvestment decisions at both a strategic, area and individual level being made on the strength of business cases requires the organisation to increase its commercial skill base across a far broader range of its managers and service professionals.
- **A flexible and responsive resource base:** The resources of the council, both financial and non-financial, must be sufficiently flexible and adaptable so as to be responsive to the changing needs of local communities, and allowing the continual re-design and re-provision of services as necessary. It will also support opportunities to leverage external resources as and when they arise.
- **Greater staff autonomy:** Productivity will be enhanced by having fewer but more self sufficient staff held strongly to account for delivery of outcomes. There may be inevitably fewer staff, but they will be incentivised to deliver the outcomes set out by the political leadership through greater autonomy and authority to get on with the job.

5.6 The future service delivery model must be applied across all areas of KCC activity. It will not be optional and no individual directorate, division, service or unit can be exempt from principles of the new operating model.

5.7 As KCC will not be the sole commissioner or provider of local services, the way elected Members undertake their local representative role will also change, increasingly delivered through:

- **Advocacy** – representing resident interests at an individual and community level, working with other democratic representatives and bodies from across the political spectrum, and the public, private and voluntary sector to ensure individuals and communities have a voice in how all public services are shaped and delivered, not just those traditionally provided by local government.
- **Brokerage** – working with commissioners and providers across all public services to identify innovative and cost-effective ways of meeting local community and individual need, and leveraging and brokering resources from across the private, public and voluntary sector to help solve local community problems.
- **Communication** – through representing the community to the council rather than the council to the community, Members can provide strong intelligence of

local community need to help shape the commissioning and procurement of services, but also feed resident views when shaping the strategic priorities and overall direction of the council.

5.8 As with any business, the overheads attached to the corporate and democratic core of the authority must be regularly reviewed and monitored to keep it in proportion to the overall cost of providing services. As services change through integration, commissioning and joint-commissioning with partners, new forms of executive and non-executive governance may be required.

## **6. FIVE PRIORITIES FOR WHOLE-COUNCIL TRANSFORMATION:**

6.1 Cabinet and CMT have identified five priorities required to move towards a whole-council transformation approach. These are:

1. Integration of services around client groups or functions
2. Single-council approach to projects, programmes and review
3. Active engagement of the market for solutions
4. Creating viable businesses from traded services
5. Embedding commissioning authority arrangements

6.2 Each of these five priorities is vital to transition KCC to the future service delivery model set out earlier and will underpin a new operating model. It is also important to note that none of the priorities is mutually exclusive but indeed each is mutually reinforcing (e.g. integration cannot happen without a better approach to programme delivery). Most importantly, all five priorities will underpin and support the aim of better managing future demand for KCC services.

### **Integration of services around client groups or functions:**

6.3 A critical component of whole-council transformation will be the integration of services around key client groups and critical council functions. Whilst there is horizontal working across KCC services and other agencies, such as through the Margate Task Force, these have tended to be as discrete projects, and have not yet become normal practice or have not influenced how services are redesigned. The Kent Integrated Adolescent Support Service (KIASS) and the Troubled Families Programme are perhaps the two cross-directorate integrated service arrangements, but they are currently in their infancy.

6.4 Cabinet and CMT believe the integration of services can be the catalyst to delivering wider priorities around prevention, demand management, increased productivity and efficiency. Firstly, by bringing services supporting the same or similar client groups together, it will be possible to improve the client experience and customer service by removing duplication and double-handling of clients that inherently exists between services operating in isolation of each other, and, in the first instance, this will create a more efficient function providing the same or similar service standard at less cost. Once the services are functionally integrated, it will be possible to redesign them and shift service delivery models to early intervention and

preventative approaches necessary to ensure the authority has the capability to reduce future demand. It is important to note that the integration of services is not simply the aggregation of services, but the deep integration of services across multiple business units, spread out across directorates, into a single business unit, with a single way of working, with single line-management accountability within KCC. This will provide a much more effective and efficient way of working.

6.5 CMT has initially identified the 0-11 children and family support services, 11-24 support and the skills and employability services as being in the first phase of service integration. Cabinet has tasked CMT to develop detailed proposals for further phases of service integration.

6.6 Whilst the predominant focus of the integration agenda will be on KCC front-line services, the integration agenda will also affect KCC business and support functions. A particular focus will be paid to the integration of commissioning functions across the authority, which at the moment are dispersed across a number of services and directorates, and whilst they are commissioning different services, they have the same core function and staff skill set. We will therefore prepare options to integrate commissioning functions around people-based and place-based services. Such an approach is also a prerequisite for the embedding of a commissioning authority model. Work will also be undertaken to establish whether commissioning and procurement should sit as discrete functions, or should be further integrated given the interdependencies between them.

6.7 KCC will look for opportunities for the integration of services with our public service partners where this is a viable and credible option to reduce cost to KCC and deliver enhanced quality of provision for the service user. We will focus efforts where commitment to integrate is clear, set out through an agreed timetable and where benefits are realisable within the timeframe of the Medium Term Financial Plan. KCC will not seek to integrate services for sake of integration, but based on a cost/benefit calculation as part of a well developed and shared business case. Whilst we will continue to review the developments around Whole-Place community budgets, until such mechanisms are mature and are proven to realise sufficient benefits to local government in practice, KCC will focus on pragmatic solutions to integrating with partners.

#### **Single approach to projects, programmes and review:**

6.8 Delivering change in any large, complex organisation, such as KCC, is not easy. The approach to date on delivering change has been predominantly through directorates and services managing the all projects and programme risk themselves.

6.9 Going forward, the move towards more integrated services will increase the complexity of project and programme activity across the council in such a way that a directorate focussed approach will be insufficient given the risk to the organisation that non-delivery might entail. In order to ensure the organisation delivers change effectively there is a need for greater corporate ownership of project and programme management activity, and for accountability of financial and non-financial benefits of projects and programmes to be explicit and defined. This will also mean improving professional capacity and capability of project and programme delivery as a distinct skill set within KCC.

6.10 This will require moving the authority's oversight and assurance arrangements for projects and programmes from a passive to an active model, which has the capacity and capability to provide independent assurance and oversight, escalate issues and provide support and intervention in projects and programmes as necessary, whilst providing better co-ordination across projects and programmes to ensure that financial and non-financial benefits are realised to time and plan. The fundamental aspects of this important change will include:

- Streamlining high-level governance structures for transformational projects and programmes through the introduction of whole-council Transformation Board with the mandate to undertake oversight and assurance of projects and programmes across the council, and holding ultimate authority for advising the Leader on any changes from agreed project and programme business cases.
- Utilising best practice from the National Audit Office and the Cabinet Office/Treasury Major Projects Authority, to develop a pragmatic, risk-based approach for project and programme control, which can flex according to the needs to each programme or project, while providing a uniform, core approach to support efficient and effective delivery of change.
- The reporting structures for the current and planned programmes and projects separate operational service delivery from the delivery of change, and ensure that competing governance mechanisms are not created.
- Ensuring that standard project and programme disciplines are adhered to at all times, in particular through better change control processes, ensuring that all changes to projects and programmes are documented, agreed and used to revise the costs, benefits and timescales of project and programme business cases.
- An enhanced Programme Office is established that is charged with identifying and managing dependencies across all programmes and projects. Programme and Project Managers will have a professional line of accountability through the enhanced Programme Office to the Transformation Board.
- The development of a single Transformation Plan, to be formally approved by the Leader, that will set out the revised framework for project and programme delivery in KCC, clarifying roles and responsibilities, identifying accountabilities, and becoming a key communication tool to explain transformational change to all levels and areas of the council.

6.11 There is a clear need to develop a service review model that has the capacity to flexibly deliver both in-depth reviews challenging fundamental assumptions about how and why we deliver services in the way we do, and provide a 'troubleshooting' function for Cabinet and CMT. At the heart of this review programme is the need to subject, on a regular cycle, all services to a public value test and to look at all possible options for future service design and configuration.

6.12 In order to be effective, this review capability must be drawn from a wide range of specialisms across the authority, bringing multi-disciplinary teams together with the capacity to actively pursue investigations at pace, with the aim of delivering recommendations that are 'decision ready', in that, implementation of any changes

could begin immediately. The delivery of any agreed recommendations would then fall under the oversight of the Programme Office to assure delivery within agreed cost and time parameters.

### **Active engagement of the market for solutions:**

6.13 KCC has a strong track record in providing services through a mix of in-house and external providers, including £108m through the voluntary, community and social enterprise sector. However, other local authorities have increasingly engaged the private sector to support the identification of opportunities for efficiencies and savings in areas that KCC has not traditionally engaged the market in. Such a cautious approach can no longer be afforded and no area of KCC activity or spend should be off-limits in regard to the involvement of the market in identifying new ways of working.

6.14 It is envisaged that a core aspect of the revised service review model (see previous section) will be to deliver better benchmarking activity of KCC services with those found in other local authorities, but also the wider public and private sector, gaining a stronger understanding of true unit costs and overheads, which remains too underdeveloped in the public sector and a drag on delivering transformational change. However, obtaining truly comparable benchmarking information is notoriously difficult, so it is vital that the information gleaned is used alongside a more sophisticated breakdown of the costs of the service in question, to include fixed and variable costs, fixed and variable overheads, and cross-subsidies / efficiencies that may be in place with other services in the Council. The service review model will undertake active market testing – including through prior information notice (PIN) mechanisms, to see what alternatives the market could offer for the delivery of services and functions.

6.15 Cabinet and CMT's view is that the focus of any engagement with the market for the identification of savings and transformational opportunities should be prioritised towards areas of KCC business where markets are mature, and have a track record of engagement with local authorities, especially in regards to lower risk services and functions. Ultimately, there will be areas where the choice not to engage the market is made, but the examination of all opportunities is now essential. The authority has the opportunity to learn the lessons from those authorities who have engaged the market well, and driven both financial and non-financial benefits from such engagement, and not repeat the mistakes of those authorities who have rushed to market with ill-thought out specifications or unrealistic ambition, and have subsequently found themselves attempting to roll-back arrangements at cost.

### **Creating viable businesses from traded services:**

6.16 KCC has a strong track record in operating as a commercial provider especially where it can use its scale and expertise to offer services at attractive cost/quality ratios, or where it can utilise spare capacity from within services to generate income and reduce the need for core funding. Public sector reform is driving new forms of provision through education and health reforms, especially through the development of academies and opening-up community health services to new providers, as well as promoting greater staff ownership through the development of public sector mutuals and co-operatives. In turn, these changes are further driving the development of new markets for business support services. This proliferation of

providers and support services is a natural consequence of the increasing shift towards commissioning models of public service delivery, and a transition away from direct delivery of services by the public sector.

6.17 Over the last few years, KCC has made changes to place its Commercial Services function on a more robust and professional platform that will ensure it can be flexible and responsive to market demand. It is now necessary to move those traded services that remain in KCC directorates onto an appropriate business orientated footing that will allow them to maximise their potential and respond to market opportunities. Those KCC services with the potential to operate through alternative delivery models will be transitioned to new models as part of whole-council transformation.

6.18 To be successful, this will require far greater understanding of the unit costs and operational overheads of KCC services and functions, to judge whether or not market opportunities make financial sense, and as such, it is anticipated that the new service review model (outlined earlier) will play an important role in determining market readiness. Where traded services do not make a profit or cover their true overheads, that activity will be ceased or, if possible, sold to other market providers. KCC cannot afford to subsidise other providers through traded services, irrespective of previous relationships or responsibilities, and must make commercial decisions based on financial reality. Where other providers are better placed to meet market demand, KCC will withdraw from those markets and cease provision.

6.19 There will be no predetermination about what form new delivery arrangements may take, including the development of trading companies, TEKAL companies, social enterprises, mutual and joint ventures, and it will be decided by what works best in practice. Initial focus will be on those services already operating a trading model, including Legal Services, EduKent and Community Learning & Skills, and this has been critical to the establishment of the new Commercial and Traded Services portfolio within Cabinet. As services are identified for operating on a traded basis and through new delivery arrangements, they will transition out of their directorate Cabinet portfolio to the Commercial and Traded Services portfolio, partly to drive decision-making and transition services as quickly as possible, but also to allow a necessary distinction between transformational activity and day-to-day delivery. This transition will need to be pragmatic, as waiting for a purist solution will slow down the process significantly.

#### **Maturing commissioning authority arrangements:**

6.20 The agenda and priorities set out in Bold Steps for Kent have moved KCC a long way towards our interpretation of what commissioning authority means. Many authorities that moved quickly towards wholesale commissioning or outsourcing models have subsequently had to re-think their approach, and develop more pragmatic options and realistic timetables.

6.21 As noted earlier, simply outsourcing services or artificially moving to wholesale commissioning does not match our broader interpretation of what becoming a commissioning authority actually means in practice, especially the ability to shape and influence markets, and act as a provider of last resort when necessary. However, the shift towards becoming a commissioning authority remains vital to the future sustainability of public services, and local authority services in particular.

6.22 To further embed commissioning authority arrangements in Kent, we now need to move towards an organisational structure that better distinguishes between the responsibility for strategic decisions on commissioning of services, and the responsibility for the delivery of services, be they procured through the market or delivered directly by KCC. Where this structural demarcation between commissioning and provision is made, there should be an expectation that any internal supplier / providers will have to compete to deliver contract specifications with external suppliers.

6.23 By further making the demarcation between commissioning and delivery clearer it will be possible to better embed internal challenge and contestability within KCC. Importantly, it will also improve our capacity to undertake market development and market shaping activities, which at the moment remain underdeveloped, but are critical to the added value that a commissioning authority almost certainly brings compared to alternative models.

## **7. NEXT STEPS: A WHOLE-COUNCIL TRANSFORMATION PLAN**

7.1 The whole-council transformation agenda outlined in this report will drive significant change across the authority. It is necessary to create pace and momentum so that we can move to the revised operating model within the timeframes necessary to meet the savings required from 2015/16 onwards, but also to provide a framework that will allow the authority to respond to future challenges, including any potential further additional savings which may arise from the comprehensive spending review due after the next general election.

7.2 Services and functions will change at a rapid pace, which in turn will drive wider structural reform of the authority as a whole. There will undoubtedly be an impact on our staff as service and functions are integrated and service delivery models are transformed, and naturally staff will be concerned about the scale of such change. However, without the effort and enthusiasm of our staff we will not succeed in meeting this challenge. CMT will put in place mechanisms to ensure that staff are engaged at every level on the wider changes occurring within KCC, as well as any changes that affect their own area of work. We will seek to reassure staff through being open and transparent about the decisions being made and the reasons why they are being made. .

7.3 A paper setting out an initial change programme, including a high level whole-council transformation plan will be brought to County Council in September 2013 for consideration and endorsement.

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